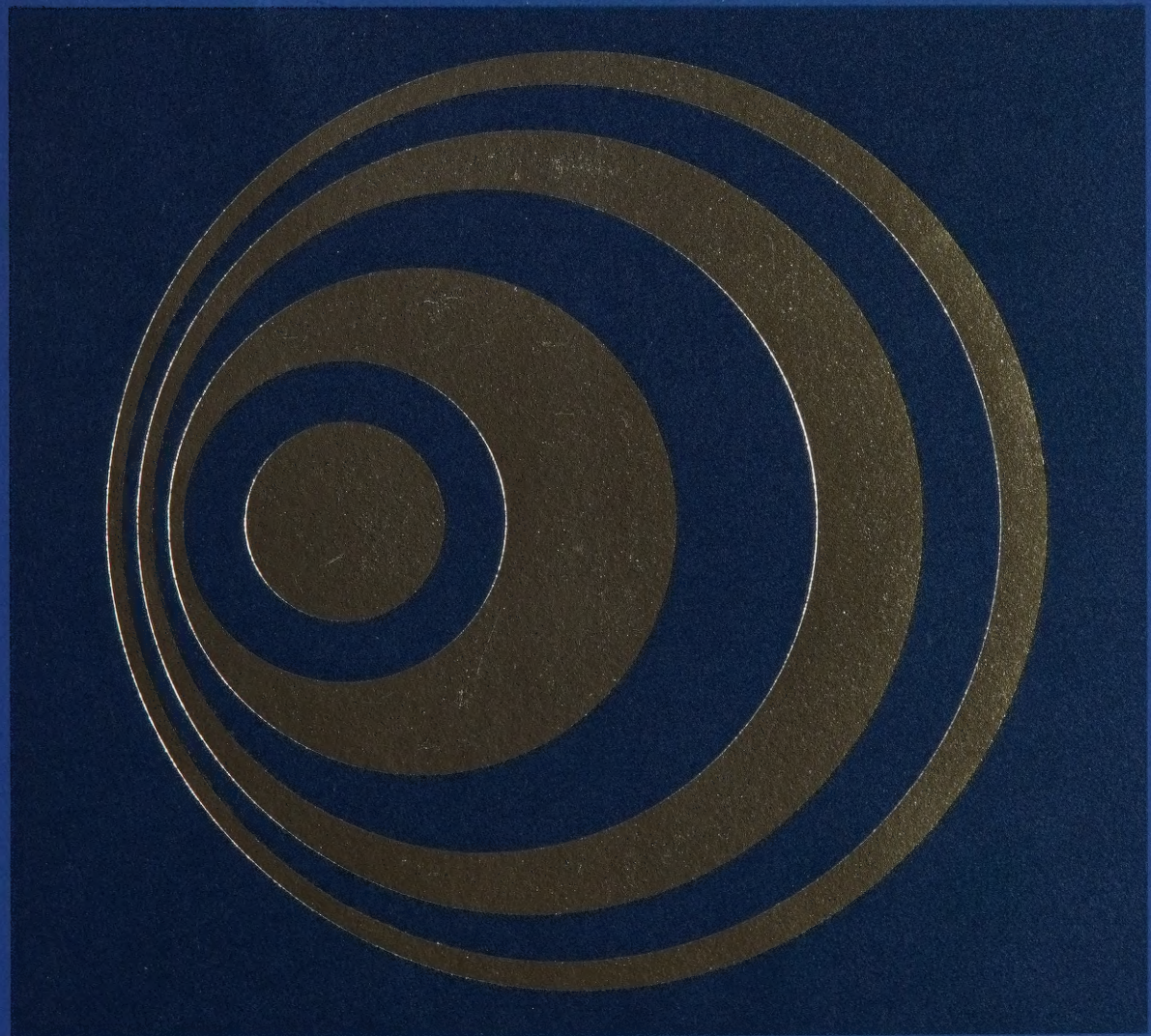


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Annual Report 1970

Western Broadcasting Company Limited



**CONSOLIDATED STATEMENT OF SOURCE
AND APPLICATION OF FUNDS**

for six months ended 30 September, 1970

**SOURCES OF
WORKING CAPITAL**

	1970	1969
Net income before provision for depreciation	\$ 712,650	\$ 443,520
Issue of common shares	1,350,000	526,450
Increase in deferred income taxes	195,174	—
Bank Loan	362,200	—
Redemption Preferred Shares BCTV	—	76,400
Other	—	5,722
	<u>\$ 2,620,024</u>	<u>\$ 1,052,092</u>

**USES OF
WORKING CAPITAL**

Addition to fixed assets	\$ 1,032,216	\$ 48,829
Purchase of BCTV shares	—	825,192
Purchase of Canastel shares . .	—	1,440,572
Share capital increase expense	—	9,500
Dividends paid: -Preferred .	165,411	—
-Common .	240,037	218,648
Increase in excess of cost of shares of subsidiary com- panies over book value . . .	1,929,005	—
Other	481	—
	<u>\$ 3,367,150</u>	<u>\$ 2,542,741</u>

DECREASE IN

WORKING CAPITAL	\$ 747,126	\$ 1,490,649
Working capital at beginning of period	1,088,930	162,318
Working capital at end of period	341,804	(1,328,331)



**WESTERN BROADCASTING
COMPANY LIMITED**

and Subsidiary Companies

**Report to the
Shareholders for the
Six Months Ended
30 September, 1970**

REPORT TO THE SHAREHOLDERS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 1970

We are pleased to report on the operations of your Company for the first half of its 1971 financial year and we submit a comparative statement of income and of source and application of funds for this year and the corresponding period of last year.

During the current year, your Company completed the purchase of Express Cable Television Ltd. in North Vancouver and Radio QR Ltd. (formerly Bentley Broadcasting Company Ltd.) in Calgary. These operations are contributing for the first time to your Company's earnings.

British Columbia Television Broadcasting System Ltd. (BCTV), in which Western has a major interest (44%), has now extended its programming service with rebroadcasting stations at Kamloops, Vernon, Kelowna and Penticton. This brings to these important areas in British Columbia an alternative Canadian television service, that of the CTV Network.

Western through Canastel Broadcasting Corporation Limited, has a beneficial interest of 14% in CJCH-TV in Halifax, Nova Scotia. Arrangements have now been completed for CHUM Limited, Toronto, Ontario, to purchase this interest, subject to CRTC approval.

At the recent Annual Meeting of your Company, new Articles of Association were adopted which give your Directors the power to decline the transfer of Western common and preferred shares, where such a transfer would cause the shareholdings of non-Canadian owners to exceed the limits authorized by the Government.

Foothills Cablevision Ltd., in which your Company has a majority interest, was among the unsuccessful applicants for a CATV license to serve Calgary, Alberta. Other opportunities are being actively explored so that your Company may increase its involvement in the CATV industry on a basis that will enhance the earnings of the shareholders.

Following the philosophy that development and retention of a keen, young and aggressive management team is a major factor in maintaining one's position in the forefront in the broadcast industry, executive appointments have been made that will strengthen the group. Mr. William J. Hughes, Executive Vice-President of Western, has been elected President of Radio NW Ltd., and Mr. Frank A. Griffiths, C.A., has assumed the responsibilities of Chairman of that Company. Mr. G.N. Cooper, with the background of sixteen years with CKNW and Vice-President, Sales of Western, has become General Manager of Radio Station CKNW. Mr. Robert G. Dinning, C.A., has been appointed Vice-President, Finance and Secretary of Western effective November 1, 1970.

In line with the Board's policy of paying dividends on a quarterly basis, a dividend of 12¢ per common share was paid September 30, 1970 to shareholders of record August 31, 1970.

FRANK A. GRIFFITHS, C.A.
President

WILLIAM J. HUGHES
Executive Vice-President.

October 22, 1970

SUMMARY OF RESULTS (unaudited)	6 months ended 30 Sept., 1970	6 months ended 30 Sept., 1969
NET SALES	\$ 3,044,771	\$ 2,218,933
Income from Operations after providing for all expenses except those deducted hereunder	1,201,969	787,880
Revenue from other investments	112,933	53,461
TOTAL	\$ 1,314,902	\$ 841,341
Depreciation	109,536	51,600
Non-deductible capital loan interest	14,388	25,075
	\$ 1,190,978	\$ 764,666
Income Taxes	587,864	372,745
NET INCOME	\$ 603,114	\$ 391,921
Outstanding common shares	1,000,155	936,652
Earnings per common share	*45.9¢	41.8¢
Dividends paid on common shares	\$ 240,037	\$ 218,648
Dividends per common share	24¢	24¢
*Net income of \$603,114 has been reduced by \$143,750 being earnings accruing to preferred shareholders. The remaining earnings of \$459,364 are applicable to common shares.		



WILLIAM J. HUGHES
Executive Vice-President

WESTERN BROADCASTING COMPANY LTD.

McBride Plaza, New Westminster, B.C.

(604) 522-2711

Annual Report 1970

Western Broadcasting Company Limited

WESTERN BROADCASTING COMPANY LTD.

815 McBride Plaza,
New Westminster, B.C.

Western Broadcasting Company Ltd. was incorporated under the Companies Act of British Columbia under Memorandum and Articles of Association issued November, 1965. The common and preferred shares of the Company are listed on the Toronto Stock Exchange and the Vancouver Stock Exchange; Stock Transfer Agent, the Canada Permanent Trust Co.

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Highlights

Acquisitions have resulted in broadening the base of operations

Total sales in radio broadcasting increased 5% over the previous year

Net income including dividends showed a 9% increase over the previous year

Earnings attributable to common shares \$646,521, equivalent to 70c per common share

Earnings from investments held at the end of the fiscal year exceeded amount received in dividends by \$119,036 (1969—\$45,000)

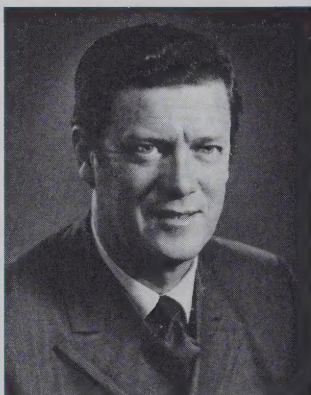
Total additions to plant and equipment by wholly owned subsidiaries amounted to \$237,770

Quarterly dividend on common shares increased from 9c to 12c per share

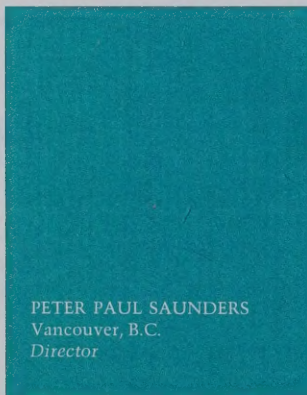
Directors and Officers



FRANK A. GRIFFITHS, C.A.
Vancouver, B.C.
Director-President



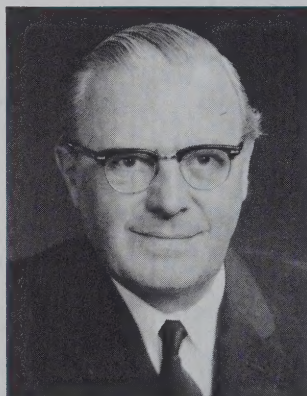
WILLIAM J. HUGHES
New Westminster, B.C.
*Director-
Executive Vice-President*



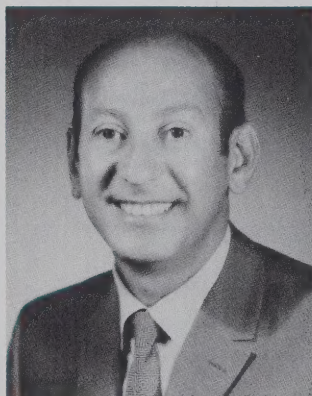
PETER PAUL SAUNDERS
Vancouver, B.C.
Director



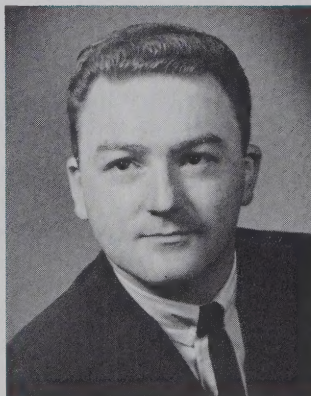
THEODORE S. SOSKIN
Calgary, Alberta
*Director (Appointed to Board
June 8, 1970)
President CHQR*



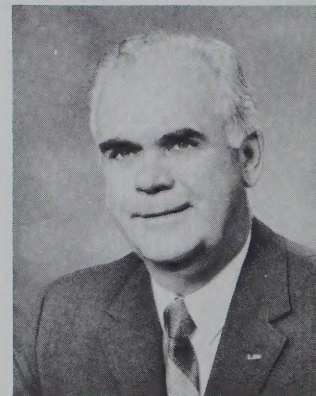
WALTER S. OWEN, Q.C.
Vancouver, B.C.
Director-Vice-President



G. NELDON COOPER
Vancouver, B.C.
Vice-President, Sales



RODERICK M. MACLENNAN
Winnipeg, Manitoba
Vice-President, Manitoba



Report to Shareholders

Your Directors are pleased to present the Annual Report of Western Broadcasting Company Ltd., together with Financial Statements and Report of the Auditors for the year ended March 31, 1970.

During the last fiscal year, the Company made acquisitions which have resulted in a broadening of the base of operations, the effect of which will be seen commencing with the current year. The acquisitions are dealt with later in this report.

During the year, total sales in radio broadcasting were \$4,234,397, an increase of 5% over the previous year. The operating income from all divisions was \$1,483,141, a 5% increase over the previous year.

Net income including dividends from unconsolidated investments was \$741,041, a 9% increase over the previous year. Before arriving at the share of earnings attributable to the common shares, provision was made for the accrual of dividends of \$94,520 on the recent issue of 200,000 preferred shares. These shares which are redeemable, carry fixed, preferential, cumulative, cash dividends at the per annum rate of 5¾% on a par value of \$25 and the shares are convertible on a one-for-one basis for the common.

It is to be noted that as a result of this preferred share financing, the Company had on hand at March 31, 1970 over \$2.0 million for use in completing those purchases which were before the Canadian Radio-Television Commission for approval at that date. No contribution to current earnings has been made by such new acquisitions. After providing for \$54,467 for costs relating to the preferred share issue (5c per common share) the earnings attributable to common shares were \$646,521 equivalent to 70c per common share, based on a weighted average of 925,588 common shares outstanding during the year. This figure compares with earnings per share of 77c based on 881,034 common shares outstanding in the preceding year.

Your Company's share of earnings from investment in other broadcasting properties held at the end of the fiscal year exceeded the amount received in dividends by \$119,036 (1969—\$45,000).

Total additions to plant and equipment of the Company's wholly owned subsidiaries during the year under review amounted to \$237,770.

Effective May 31, 1969, the quarterly dividend on the common shares was increased from 9c to 12c per share.

RADIO—British Columbia

In March 1970, Radio NW Ltd. instituted a new FM broadcasting service for southwestern British Columbia. The station, whose call letters are CFMI, broadcasts on an assigned frequency of 101.1 megahertz. It is expected that this facility will make a contribution to earnings during the current fiscal year.

According to the Bureau of Broadcast Measurement (BBM), Radio Station CKNW continued to dominate the market.

RADIO—Alberta

In October 1969 we entered into an agreement to purchase all the issued shares of Bentley Broadcasting Company Ltd., licensee of Radio Station CHQR in Calgary, Alberta. CRTC approval was granted and the closing took place in April 1970. The closing of this transaction was subsequent to your Company's year end, and the operating results of Bentley are not reflected in the financial statements. According to the latest BBM survey, Radio Station CHQR has a strong audience position, especially in the adult age group. We expect CHQR to make a substantial contribution to earnings in the current fiscal year.

RADIO—Manitoba

Your Company's Radio Stations CJOB and CJOB-FM, Winnipeg, have made a reasonable contribution to the earnings of the group. According to BBM survey reports, these two facilities substantially increased their audience size during the last year.

TELEVISION—British Columbia

During the past year, your Company substantially increased its shareholdings in British Columbia Television Broadcasting System Ltd. (BCTV) which operates the CTV outlet Channel 8 in Vancouver and the CBC outlet, Channel 6 in Victoria. BCTV also owns a one-third interest in Okanagan Valley Television Co. Ltd., the CBC television affiliate in the Okanagan Valley. Your Company owns 44.4% of the issued common shares of BCTV. Earnings for the television group are showing satisfactory gains and dividends from this investment are received on a regular basis.

The television group continues to improve its audience penetration in the very competitive Vancouver-Victoria market, where up to eight different television signals are available. During the past year, colour camera facilities have been acquired to augment the colour transmissions that have been available for a number of years.

During the year, BCTV received approval from the CRTC to provide CTV network service to the Okanagan Valley and Kamloops. This will provide later this year, a second Canadian television service in this fast-growing area.

TELEVISION—Nova Scotia

During the year, approval was received by your Company to acquire shares of Canastel Broadcasting Corporation Limited which, in addition to owning shares in BCTV, owns an interest in CJCH Limited, the CTV network licensee for Halifax, Nova Scotia. The beneficial interest owned by Western in the common share equity of CJCH Limited is 14%.

CJCH Limited is operating profitably but, owing to capital commitments, is not yet making a contribution by way of dividend to your Company's earnings.

COMMUNITY ANTENNA TELEVISION— British Columbia

During the past year, your Company entered the CATV field with the purchase of a 37% interest in Express Cable Television Ltd., licensee in North Vancouver, B.C., which purchase was approved by the CRTC in late 1969. Western has now agreed to purchase the remaining outstanding shares of this company, subject to CRTC approval. This application was heard by the CRTC in May 1970 and approval was received on June 30, 1970.

Express is operating profitably and experiencing a growth in net income. It has over 11,000 subscribers and we anticipate continuing expansion. Since our purchase your Company has arranged to extend to the Express subscribers the Vancouver community cable service on Channel 10 and an educational television service on Channel 9.

Your Company, through Foothills Cablevision Ltd., is majority shareholder in an application to extend CATV service to the City of Calgary, Alberta. This application was heard in May 1970 by the CRTC in public hearing. A decision is expected shortly and, if it is favourable to your Company, we expect to be in a position to deliver service in the community later this year.

REGULATIONS

As we reported to you in our last Annual Report, an Order-in-Council (PC 1969-630) was considered by the Canadian public companies engaged in this industry to be unduly restrictive. A new Order-in-Council (PC 1969-2229) has now been issued which clarifies the position and enables Canadian companies and citizens to participate in ownership of public companies engaged in broadcasting in Canada.

Your Company fully meets the requirements of PC 1969-2229 and to ensure that this condition will continue

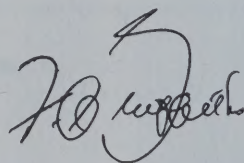
to pertain, your Directors propose to introduce at the next Annual General Meeting new Articles of Association. On approval, these Articles will give the Directors the power to decline the transfer of Western shares, where such transfer would cause the shareholders of non-Canadian owners to exceed the limits authorized by the Order-in-Council. This is similar to provisions that have been adopted by other companies in the industry and is already in effect in other areas in Canadian business.

The CRTC has recognized the increasing role of CATV in Canadian broadcasting and has made draft proposals to regulate CATV. A public hearing will be held on these proposed regulations in late 1970. It is the view of your Directors that the regulations, as finally promulgated, will encourage the development of programming of a Canadian character and will recognize the economic requirements of the industry.

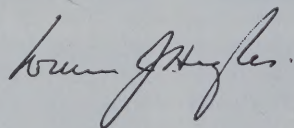
New regulations with regard to Canadian content for radio and television stations in Canada have now been issued by the CRTC following public hearings. Your Company is in sympathy with the objectives of the Commission with regard to Canadian content, but is aware of the competitive influences, particularly in television. Those licensees located in metropolitan areas along the Canada-U.S. border will be challenged to create programming of such quality as will enable them to maintain their audiences in the face of U.S. television competition. The regulations are not expected to have a significant impact on your television group during the 1970-71 season, but it is too early to forecast the long-range effect.

Your Company has added to its Board Mr. Theodore Soskin, President of Bentley Broadcasting Company Ltd., licensee of Radio Station CHQR in Calgary, Alberta.

We would like to acknowledge the support of our Board of Directors, our shareholders and especially of our employees in making the past year a successful one.



Director



Director

Ten Year Comparative Statement of Earnings

Year Ended March 31	Earnings before adding Income from Investments and deducting Depreciation, Interest on Long Term Debt and Income Taxes	Income from Investments	Depreciation	Interest on Long Term Debt	Income Taxes	Net Broadcast Earnings
1961	\$ 372,350	\$ 8,026	\$ 16,950	—	\$174,408	\$189,018
1962	494,081	5,278	56,328	\$36,652	210,593	195,786
1963	609,298	6,216	98,684	55,752	207,701	253,377
1964	622,690	7,602	68,841	50,515	215,592	295,344
1965	624,426	5,636	122,675	49,095	154,386	303,906
1966	766,282	7,856	107,607	50,720	207,500	408,311
1967	1,075,744	9,543	84,365	20,016	433,819	547,087
1968	1,179,006	44,575	73,720	—	552,777	597,084*
1969	1,348,683	89,830	86,516	—	673,627	678,370
1970	1,483,141	192,398	107,101	21,907	697,430	741,041

NOTE: The above statement combines the earnings of Western Broadcasting Company Ltd. and all its subsidiary companies as follows:

Radio NW Ltd. for the ten years ended March 31, 1970;

Radio OB Ltd. from incorporation on July 12, 1961 to March 31, 1970;

Western Productions Ltd. (formerly Saturna Properties Ltd.) from incorporation on May 16, 1963 to March 31, 1970, and

Western Broadcasting Company Ltd. from incorporation on November 1, 1965 to March 31, 1970.

*Does not include profit on disposal of marketable securities of \$434,682.


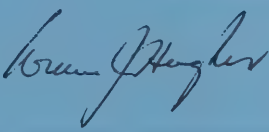
Western Broadcasting Company Limited

(Incorporated under the laws of British Columbia) and subsidiary companies

ASSETS		
	1970	1969
CURRENT ASSETS		
Cash	\$ 958,642	\$ 35,568
Marketable securities, at cost (quoted market value 1970, \$68,150; 1969, \$74,750)	74,247	74,247
Accounts receivable	591,409	590,962
Prepaid expenses	40,920	25,371
	<u>1,665,218</u>	<u>726,148</u>
INVESTMENTS AND ADVANCES (note 2)		
British Columbia Television Broadcasting System Ltd. (note 1)	3,086,578	2,337,787
Canastel Broadcasting Corporation Limited, at cost (note 1)	1,382,717	—
Express Cable Television Ltd., at cost	775,611	—
Other	1,021	1,088
	<u>5,245,927</u>	<u>2,338,875</u>
FUNDS APPROPRIATED FOR PURCHASE OF SUBSIDIARY COMPANY (note 3)		
	<u>1,350,000</u>	<u>—</u>
FIXED ASSETS (note 8)		
Land, at cost	43,061	43,061
Leasehold improvements, buildings and equipment, at cost less amortization and accumulated depreciation of \$983,602 (1969, \$925,461)	775,642	646,744
	<u>818,703</u>	<u>689,805</u>
INTANGIBLE ASSETS (note 4)		
Rights, other intangibles and goodwill, at cost	628,114	653,251
Excess of cost of shares of subsidiary companies over book value of underlying assets of such subsidiary companies at date of acquisition	2,904,731	2,904,731
	<u>3,532,845</u>	<u>3,557,982</u>
	<u>\$12,612,693</u>	<u>\$7,312,810</u>

Consolidated Balance Sheet

as at March 31, 1970 (with comparative figures at March 31, 1969)

LIABILITIES		
	1970	1969
CURRENT LIABILITIES		
Bank indebtedness, secured (note 5)	\$ 369,850	\$ 133,319
Accounts payable and accrued liabilities	179,886	207,908
Income taxes payable (note 6)	26,552	222,603
	<u>576,288</u>	<u>563,830</u>
LONG-TERM BANK LOAN	<u>—</u>	<u>350,000</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 7)		
Authorized		
200,000 5¾ % Cumulative redeemable convertible preferred shares, par value \$25		
2,000,000 Common shares without par value		
Issued		
200,000 Preferred shares	5,000,000	—
Commissions on sale of shares	(225,000)	—
	<u>4,775,000</u>	<u>—</u>
938,652 Common shares (1969, 911,034)	5,577,720	5,005,170
	<u>10,352,720</u>	<u>5,005,170</u>
RETAINED EARNINGS	1,683,685	1,393,810
	<u>12,036,405</u>	<u>6,398,980</u>
	<u>\$12,612,693</u>	<u>\$7,312,810</u>
COMMITMENTS (notes 3 and 9)		
Signed on behalf of the Board		
Director		Director 

Consolidated Statement of Earnings and Retained Earnings

for the year ended March 31, 1970 (with comparative figures for 1969)

	1970	1969
Sales	\$4,234,397	\$4,021,576
Operating expenses	<u>2,751,256</u>	<u>2,672,893</u>
Revenue from operations before the undernoted income and expenses	1,483,141	1,348,683
Income from investments	<u>192,398</u>	<u>89,830</u>
	<u>1,675,539</u>	<u>1,438,513</u>
Other expenses		
Costs related to issuance of preferred shares	54,467	—
Bank interest on acquisition of subsidiary	53,593	—
Interest on long-term debt	21,907	—
Depreciation and amortization	107,101	86,516
Provision for income taxes	<u>697,430</u>	<u>673,627</u>
	<u>934,498</u>	<u>760,143</u>
NET EARNINGS FOR THE YEAR	<u>741,041</u>	<u>678,370</u>
Retained earnings at beginning of year		
As previously reported	1,393,810	1,032,612
Adjustment of prior year's income taxes	<u>7,481</u>	<u>7,481</u>
As restated	<u>1,386,329</u>	<u>1,025,131</u>
	<u>2,127,370</u>	<u>1,703,501</u>
Dividends paid on common shares	<u>443,685</u>	<u>317,172</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$1,683,685</u>	<u>\$1,386,329</u>
*Earnings per common share, based on weighted average	<u>70c</u>	<u>77c</u>
Weighted average number of common shares outstanding during year	<u>925,588</u>	<u>881,034</u>

*Earnings applicable to the common shares for the year amount to \$646,521 after allowing \$94,520 for accrued dividends on the preferred shares.

Consolidated Statement of Source and Application of Funds

for the year ended March 31, 1970 (with comparative figures for 1969)

SOURCE OF FUNDS	1970	1969
Net earnings for the year	\$ 741,041	\$ 678,370
Items not involving current funds		
Depreciation and amortization	<u>107,101</u>	<u>86,516</u>
	848,142	764,886
Issue of preferred shares—net	4,775,000	—
Issue of common shares	572,550	600,000
Repayment of advances to Canastel Broadcasting Corporation Limited	57,855	—
Redemption of preferred shares of British Columbia Television Broadcasting System Ltd.	76,400	—
Other	19,494	36,262
Long-term bank loan	<u>—</u>	<u>350,000</u>
	<u>6,349,441</u>	<u>1,751,148</u>
APPLICATION OF FUNDS		
Purchase of leasehold improvements and equipment ..	237,770	486,765
Purchase of investments in		
British Columbia Television Broadcasting System Ltd.	825,191	1,723,163
Canastel Broadcasting Corporation Limited	1,440,572	—
Express Cable Television Ltd.	775,611	—
Funds appropriated for purchase of subsidiary company	1,350,000	—
Bank loan repayment	350,000	—
Dividends paid on common shares	<u>443,685</u>	<u>317,172</u>
	<u>5,422,829</u>	<u>2,527,100</u>
INCREASE (DECREASE) IN WORKING CAPITAL	926,612	(775,952)
WORKING CAPITAL AT BEGINNING OF YEAR	<u>162,318</u>	<u>938,270</u>
WORKING CAPITAL AT END OF YEAR	<u>\$1,088,930</u>	<u>\$ 162,318</u>

Notes to Consolidated Financial Statements

1. BASIS OF CONSOLIDATION

The consolidated statements include all the Company's wholly-owned subsidiaries:

Radio NW Ltd.
Radio OB Ltd.
Saturna Investments Ltd.
Western Productions Ltd. (formerly Saturna Properties Ltd.)

The assets of the wholly-owned subsidiaries are with one exception carried into the consolidated balance sheet at the subsidiaries' historical cost book values, with the excess of the cost of shares in subsidiaries over such book values being recorded as an intangible asset. The exception is the value recorded for the shares of British Columbia Television Broadcasting System Ltd. ("BC-TV"); the excess of cost of the shares in Saturna Investments Ltd. and Western Productions Ltd. over the historic cost to those companies of their assets has been attributed in the consolidation to their principal asset, namely their investment in "BC-TV".

Canastel Broadcasting Corporation Limited ("Canastel"), a 55.1% owned subsidiary acquired during the year, has not been included in the consolidation as the Company has agreed to allow the minority shareholder to elect an equal number of directors to the Board of Directors. All resolutions of that Board require a majority vote. Dividends paid by "Canastel" since acquisition, \$17,032, are included in the Company's accounts as income from investments. Undistributed earnings of "Canastel" since acquisition are not material.

2. INVESTMENTS AND ADVANCEMENTS

(a) Investments are represented by:

	1970	1969
"BC-TV" (note 1)		
37.9% interest in the common share equity (1969, 31.1%); preferred shares with a par value of \$152,810 (1969, \$229,210)	\$3,086,578	\$2,337,787
"BC-TV" redeemed \$76,400 in preferred shares held during the year		
"Canastel", at cost 55.1% interest in the common share equity	891,275	—
Advances	491,442	—
Express Cable Television Ltd., at cost 37.2% interest in the common share equity	775,611	—
Other, at cost	1,021	1,088
	<u>\$5,245,927</u>	<u>\$2,338,875</u>

(b) One of the principal assets of "Canastel" is common shares in "BC-TV". These shares increase the aforementioned interest of the Company to a 44.4% beneficial interest and a combined interest with "Canastel" of 49.7% in the common share equity of "BC-TV".

3. FUNDS APPROPRIATED FOR PURCHASE OF SUBSIDIARY COMPANY

The Company has entered into an agreement to purchase all the outstanding common shares of Bentley Broadcasting Company Ltd. at a cost of \$2,700,000 payable \$1,350,000 in cash (the funds for which are earmarked under this caption) and the balance by the issue of 61,503 common shares of the Company. The purchase was contingent upon the approval of the Canadian Radio-Television Commission.

Subsequent to March 31, 1970, the purchase was approved by the Canadian Radio-Television Commission, and the payment of cash and issue of shares of the Company occurred on April 13, 1970.

4. INTANGIBLE ASSETS

Management is of the opinion that these amounts are of continuing value and does not intend to amortize them in the foreseeable future.

5. BANK INDEBTEDNESS

Bank indebtedness is secured by:

- (a) hypothecation of all outstanding shares of Radio NW Ltd., Radio OB Ltd., and Western Productions Ltd.;
- (b) hypothecation of all shares of "Canastel" and "BC-TV" owned by the Company;
- (c) hypothecation of certain marketable securities owned by Saturna Investments Ltd.

6. INCOME TAXES

For income tax purposes a subsidiary company has claimed full capital cost allowance on certain rights in prior years. No amortization of this asset has been provided in the consolidated accounts. Accumulated reductions in income taxes to March 31, 1970 total \$228,700.

7. CAPITAL STOCK

(a) Authorized

- i) On August 7, 1969, the number of common shares the Company is authorized to issue was increased from 1,100,000 to 2,000,000 shares and the maximum issue price thereof was increased to \$25 per share.

ii) On November 5, 1969, the authorized capital stock of the Company was increased to include 200,000 5¾ % cumulative redeemable convertible preferred shares, par value \$25. The preferred shares are convertible into common shares of the Company on the following bases:

1. prior to December 2, 1974 one common share for one preferred share,
2. from December 2, 1974 to December 1, 1979 one common share for one preferred share and \$2.50 in cash.

The preferred shares will be redeemable by the Company from December 2, 1974 to December 1, 1979 at the redemption price of \$27.50 per share and thereafter at \$26.00 per share, together with an amount equal to all unpaid preferential dividends accrued thereon to the redemption date.

The company may purchase the preferred shares for cancellation on the open market on certain terms and conditions.

Dividends payable on the common shares are restricted under the terms of the preferred shares issue. Under the most restrictive of these provisions, dividends paid subsequent to March 31, 1969 on all shares of the Company may not exceed consolidated net earnings since that date plus \$1,000,000.

iii) 200,000 unissued common shares have been reserved for issue upon the conversion of the preferred shares.

(b) Issued

During the year ended March 31, 1970 the following shares were issued:

- i) 25,618 common shares with an ascribed value of \$20.55 per share for the purchase of shares in "BC-TV" and 2,000 common shares with an ascribed value of \$23.05 per share for the purchase of shares in Express Cable Television Ltd.
- ii) 200,000 5¾ % cumulative redeemable convertible preferred shares for a net cash consideration of \$4,775,000.

(c) Subsequent issue

On April 13, 1970, 61,503 common shares were issued as part payment for the acquisition of a subsidiary company.

8. DEPRECIATION AND AMORTIZATION POLICY

Depreciation and amortization of fixed assets are recorded at the maximum rates allowable under the Income Tax Act of Canada and its regulations from the time the facilities are put into use.

9. COMMITMENTS

(a) The Company has agreed to purchase the remaining outstanding common shares and certain advances of Express Cable Television Ltd. for a cash consideration of \$1,611,851 payable by December 31, 1970. Such purchase is subject to the approval of the Canadian Radio-Television Commission.

(b) One of the subsidiaries is lessee of its main premises at a minimum annual rental of \$18,670 to January 1988. The lease may be renewed for a further 21 years.

10. STATUTORY INFORMATION

The direct and indirect remuneration paid by the Company and its subsidiaries to the directors and senior officers of the Company for the year ended March 31, 1970 was \$148,978 (1969, \$143,569) including \$64,542 received by the directors (1969, \$61,385).

Auditor's Report

*To the Shareholders of
Western Broadcasting Company Ltd.*

We have examined the consolidated balance sheet of Western Broadcasting Company Ltd. and its subsidiary companies as at March 31, 1970 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

May 22, 1970.

Western Broadcasting Company Limited

Western Broadcasting Company Ltd. attributes the success of its operations to an intimate knowledge of the markets and audiences served by its wholly owned subsidiaries and affiliated companies. These markets include the Greater Vancouver, the Metro Winnipeg, the Okanagan region of British Columbia, and, with the purchase of Bentley Broadcasting Company Ltd., the City of Calgary. Since 1963 the total area served by the Company has experienced a more rapid growth in population, personal disposable income and retail sales than has Canada as a whole.

In particular, markets in British Columbia and the Calgary area have grown very rapidly and there is every indication that this trend will continue. As a major corporation in Canada's vital communications industry the company owns and operates several radio stations, is the largest single shareholder in British Columbia Television Broadcasting Company Ltd., and has recently entered the field of Community Antenna Television.

CKNW

With offices and studios in New Westminster, British Columbia, and a transmitter in the Municipality of Surrey, radio station CKNW serves Metropolitan Vancouver and the lower mainland of British Columbia. Founded in 1944, CKNW was the original member of the Western Broadcasting family. As such, it is an outstanding example of the sound management philosophies and policies which have helped the company grow to a place of pre-eminence in Canadian broadcasting. Although CKNW is very much in tune with the times it has carefully maintained a "middle-of-the-road" programming policy. Its success is based on a combination of strong air personalities and an undeviating attention to the tastes and wishes of its large audience. The results speak for themselves. According to audience surveys conducted by the Bureau of Broadcast Measurement, for nearly eleven years CKNW has maintained the largest radio audience in British Columbia.

CFMI-FM

Newest member of the Western Broadcasting group is CFMI-FM an FM station playing uptown country music, sometimes described as "the Nashville sound," and employing as its program theme the Gastown re-development in downtown Vancouver. CFMI-FM, in keeping with the

trend in FM broadcasting is fully automated and multiplexes high quality stereo sound. The station breaks down its call letter to FM-One and brings to the Vancouver market the vintage flavour of Gastown—historical vignettes of early Vancouver contrasted with the sounds of today's music.

CJOB and CJOB-FM

Seven years ago the company acquired radio stations CJOB and CJOB-FM Winnipeg. Highly popular in the Winnipeg market, these stations reflect the company's conservative approach to broadcasting. Both stations operate on a 24-hour, seven-day-week basis and possess a strong local news and community service orientation. They serve a combined audience of 304,200.

These stations have enjoyed a steady growth in audience popularity and commercial revenue and for a second year in a row, CJOB has won the Bronze Bessie Award for the best radio commercial produced by a local station. This year also, the station is offering to the City and Province, major assistance with the Manitoba Centennial project.

CHQR

Western Broadcasting recently entered the Calgary market with the purchase of Bentley Broadcasting Company Ltd. licensee of CHQR. The "QR" in the station's call letters stand for "Quality Radio." In the short period of five years CHQR has become one of the top stations in the market, with an average weekly audience of 142,900, convincing evidence that Calgary was more than ready for this type of radio.

In addition to the good music which constitutes a large part of its schedule, CHQR has a progressive news policy and has won high praise for its community service broadcasting. Its documentary series "Forum" displays a keen sense of social awareness. The program handles, intelligently, and with good taste, many of the more controversial problems facing society today and has brought commendation and national recognition to the station. CHQR continues to win friends and build audience in the Calgary market.

BRITISH COLUMBIA TELEVISION BROADCASTING SYSTEM LTD.

Several years ago in order to diversify its broadcasting interests as widely as possible the company began to

acquire a share interest in British Columbia Television Broadcasting System Ltd. Through subsidiaries the company is now the single largest shareholder with some 44.4% interest in the common share equity of BC-TV. CHAN-TV, Vancouver, anchor station of the CTV network on the West Coast, operates on Channel 8. CHEK-TV Victoria, the CBC-TV network outlet for Victoria, operates on Channel 6. The signals from these two stations provide excellent coverage of the lower mainland area of British Columbia including Metropolitan Vancouver and lower Vancouver Island, including Victoria. Coverage is extended to the Fraser Valley and upper Vancouver Island by 14 re-broadcasting stations. In the Vancouver/Victoria area competition for the viewing audience is strong due in part to community antenna television (CATV) installations which allow first-class reception of as many as 11 channels.

BC-TV also owns a one-third interest in Okanagan Valley Television System Ltd., which through CHBC-TV Kelowna and 22 re-broadcasting stations serves the south-central area of British Columbia as an affiliate of the CBC-TV network.

Late in 1970 Kamloops and the Okanagan Valley will receive their second television service. British Columbia Television is now constructing rebroadcasting facilities in Kamloops, Vernon, Kelowna and Penticton to receive and transmit the signal from Channel 8, Vancouver. In this way, viewers in these four important Okanagan communities will be provided with an alternative Canadian television service.

This will increase to 18 the number of British Columbia Television's rebroadcasting stations throughout the province and will help BCTV to maintain its strong position of leadership in British Columbia in terms of delivered audience.

EXPRESS CABLE TELEVISION LTD.

The most recent development in Western Broadcasting's continuing efforts to provide a fully-integrated broadcasting service was the purchase of Express Cable Television Ltd. This CATV system serves the City and a major portion of the District of North Vancouver. The location and topography of the area make such service essential for quality television and FM reception.

Recently, Express Cable Television Ltd. attempted, unsuccessfully, to locate a suitable receiving site within its licensed area so that its subscribers might enjoy the signal of KCTS-TV, Channel 9, the National Education Television station in Seattle, Washington. Failing to resolve certain technical problems, the company has completed an agreement with the operators of Cablevision, Vancouver, to receive the signal of the educational station and, additionally, to bring into the Express system the programming of "Cable 10", the closed circuit television station operated by Cablevision, Vancouver. It is anticipated that this expanded service will commence as soon as approval has been obtained from the Canadian Radio and Television Commission.

WESTERN PRODUCTIONS LTD.

Recent developments in stereo and recording methods have aroused new interest in sound recording, although broadcasters have always been preoccupied with the subject.

Western Productions Ltd. is the newest division of the company. Designed with one idea in mind, to provide a production centre of unparalleled scope and quality, it has only two equals of similar capability on the continent, one in Toronto and the other in Los Angeles. Western Productions Ltd. is equipped with specially designed four track and eight track stereo recording equipment and handles the full range of sound recording, musical groups, programs, radio and television commercials. With the new CRTC regulations on Canadian content requirements for broadcasting stations, Western Productions Ltd. stands on the threshold of one of the most explosive periods in the development of Canadian talent and music.

SHAREHOLDER GROWTH

The number of shareholders of securities of Western Broadcasting Company Ltd. has shown a continuing growth over the last five years.

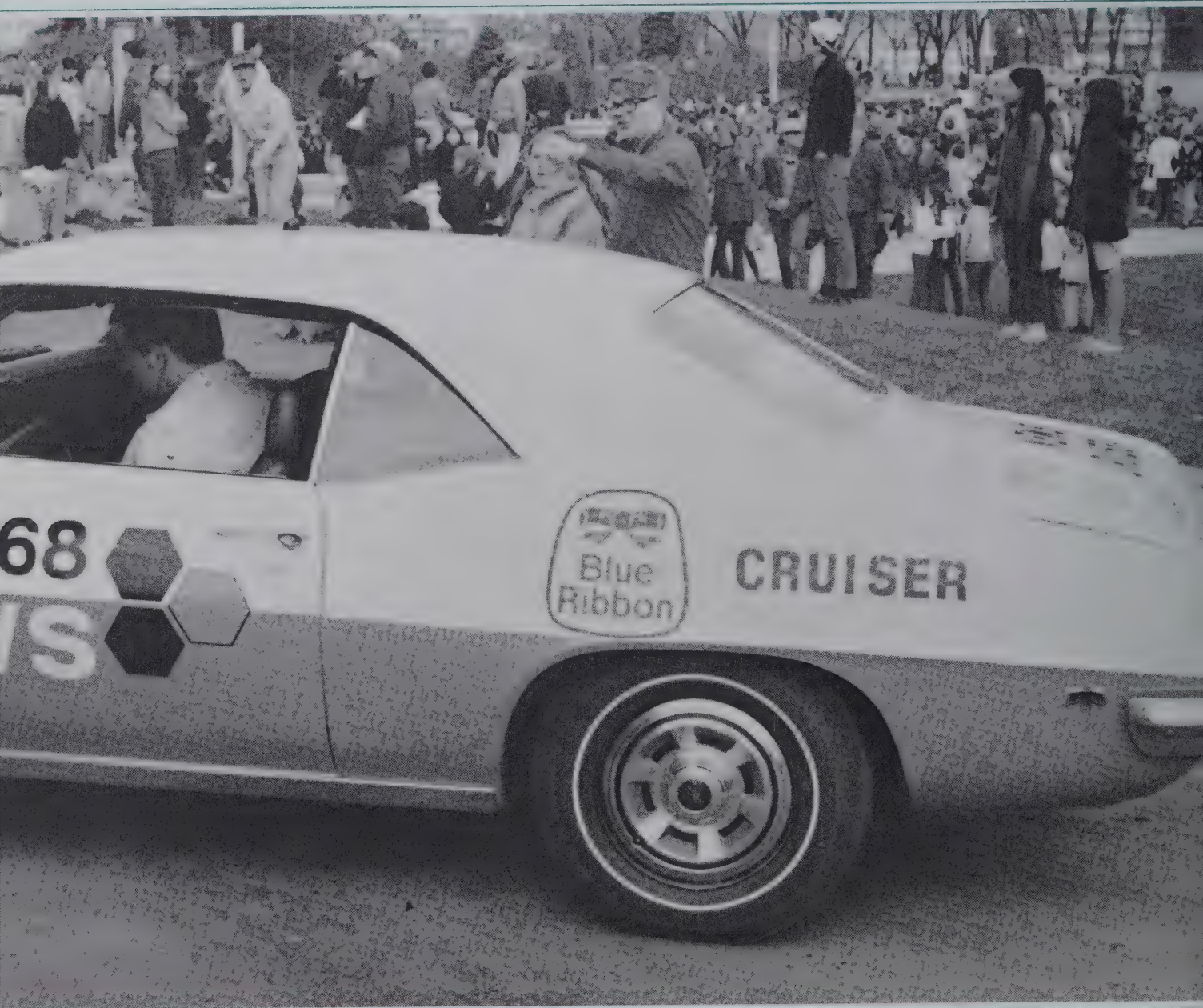
In August of 1966, there was a total of 497 shareholders.

August 1967 shows 502.

August 1968 records 710 shareholders.

August 1969 records 643 shareholders, and May 1970 shows 1,233 shareholders. Less than 1% of these shareholders live outside of Canada.

CJOB is involved with people and is to be found where the news is happening in the Winnipeg scene.



Vern Venoy, giant guard of the British Columbia Lions' Football Team is shown carrying recording artist, star of stage and TV, Miss Brenda Lee. The occasion was the Miles for Millions charity walk to assist the world's underprivileged children. CKNW sponsored the Lions in the walk and earned enthusiastic support.

John Plul, Promotional Director of CKNW and Administrator of CKNW's Orphan's Fund, with a group of the many children who benefit from the fund on one of the numerous outings sponsored throughout the year by the station.



British Columbia Television moves into events that shape the news and has gained a reputation for its responsible handling of major problems of the day.

Young listeners respond enthusiastically to CHQR's "Salute to Musical Youth". A weekly program, now in its fourth year, it "salutes" young musician's in Calgary and district schools, and exemplifies QR's significant community involvement.



CFMI-FM newest member of the Western Broadcasting Company group of stations, takes its inspiration from the Gastown restoration area of Vancouver, redolent of the city's colourful past.



